

**PUBLIC DISCLOSURE**

NOVEMBER 13, 2006

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**HAVERHILL CREDIT UNION**

**67901**

**427 MAIN STREET  
HAVERHILL, MASSACHUSETTS 01830**

**DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110**

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **HAVERHILL CREDIT UNION (or the "Credit Union")** prepared by the Division, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory".**

A CRA rating of "Satisfactory" is assigned. An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire assessment area, including low and moderate-income individuals, in a manner consistent with its resources and capabilities.

The Credit Union's average net loan-to-share ratio for the previous eight quarters was 19.5 percent. This performance marginally meets the standards for satisfactory performance at this time after consideration of the resource limitations of the Credit Union which greatly hamper its ability to compete.

Lending within the assessment area is considered to meet the standards of satisfactory performance.

An analysis of the Credit Union's lending activity by borrower income revealed that a good percentage of consumer loans were granted to low and moderate-income members. A rating of meets satisfactory performance was granted for this criterion.

The Credit Union's fair lending performance is also considered to meet the standards of satisfactory performance.

## PERFORMANCE CONTEXT

### Description of Institution

Haverhill Credit Union has been a state-chartered credit union since 1926. The Credit Union was originally formed to serve people of the Jewish faith residing or working in the City of Haverhill. Today, membership has expanded to include anyone working or residing in the City of Haverhill and/or cities and towns contiguous to the City of Haverhill. The Credit Union currently has 208 members.

The National Credit Union Association's ("NCUA") Quarterly Call Report as of the June 30, 2006 indicates that Haverhill Credit Union has total assets of \$1,762,497. Of these total assets, \$264,118 or 15 percent were in the form of gross loans. The following table reflects Haverhill Credit Union's loan portfolio (by percentage) as of June 30, 2005.

**Haverhill Credit Union – Portfolio\***

<b>Loan Type</b>	<b>Percentage of Gross Loans</b>
1 <sup>st</sup> Mortgage Real Estate**	9.2%
New Automobile	0.0%
Used Automobile	11.2%
Other Real Estate Loans**	0.0%
Unsecured Loans	0.0%
Unsecured Credit Card Loans	0.0%
All Other Loans	79.6%

\*Source: NCUA 5300 Report as of June 30, 2006

\*\*Includes Home Improvement, Home Equity Lines of Credit, Second Mortgages, and Mobile Home Loans.

Haverhill Credit Union is headquartered in Haverhill, Massachusetts at 427 Main Street. Its only branch is located at its headquarters and office hours are limited to Monday evenings 5:00pm – 7:00pm. There is no drive-up banking nor does the Credit Union operate or offer access to an Automated Teller Machine (ATM). No offices have been opened or closed since the last CRA examination.

The Credit Union offers its members a limited range of credit and deposit services that include only regular share saving accounts, limited real estate and vehicle loan products. The Credit Union's primary loan product is share secured personal loans.

The Credit Union was last examined for compliance with the CRA by the Division on March 19, 2002. The Credit Union was assigned a CRA rating of "Satisfactory."

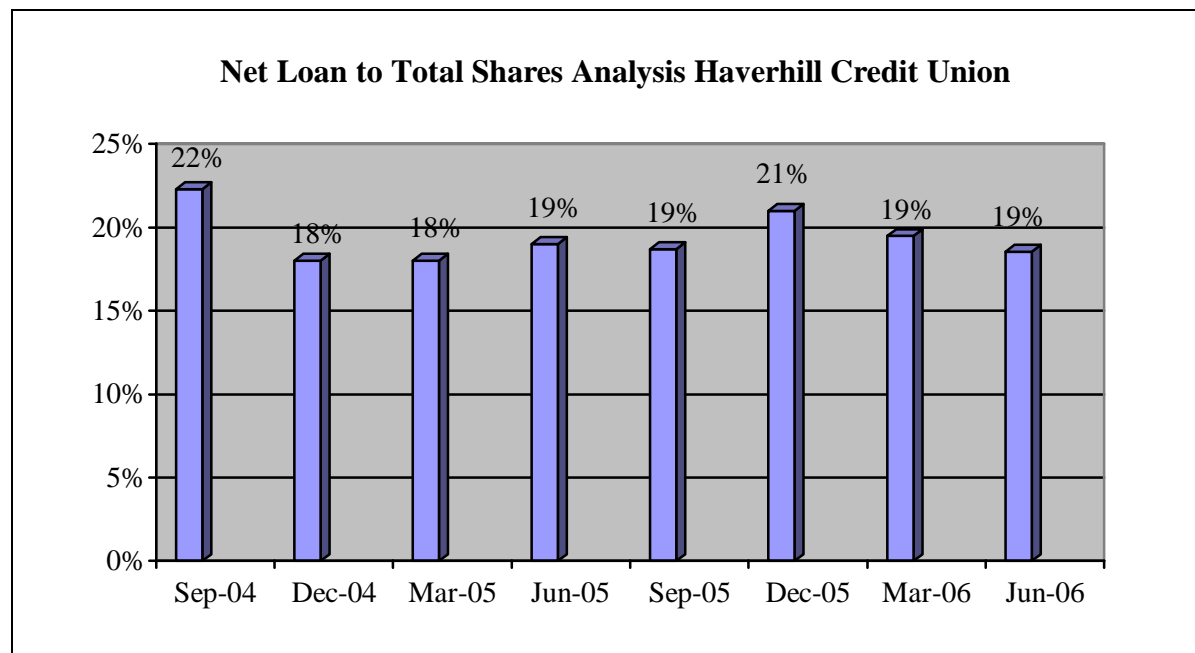
### Description of Assessment Area

Haverhill Credit Union has defined its assessment area as the City of Haverhill and contiguous towns pursuant to the provisions outlined within the Credit Union's by-laws which state: " Membership in this corporation is open to any individual wishing to deposit into a shares account; not based upon race, ethnicity or sex; who resides and/or is employed in Haverhill and contiguous towns surrounding Haverhill." The location of the Credit Union places it within the Essex County Metropolitan Statistical Area ("MSA").

## **PERFORMANCE CRITERIA**

### **1. LOAN-TO-SHARE ANALYSIS**

An analysis of Haverhill Credit Union's net loan to share ratios was performed. The calculation incorporated eight quarters of the Credit Union's net loan to total share figures as reflected in the Credit Union's quarterly NCUA 5300 Reports. The quarters reviewed consists of the period from September 30, 2004 to June 30, 2006. The Credit Union's average net loan to total shares ratio was 19.5 percent. The average represents a fluctuating trend over the review period from a high of approximately 22 percent in September 2004 to a low of approximately 18 percent in March 2005. The chart below illustrates the fluctuation of this ratio for the analysis period.



Source: NCUA 5300 reports from September 30, 2004 through June 30, 2006

### **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)**

Haverhill Credit Union's 2004, 2005, and year-to-date October 31, 2006 consumer loan applications were reviewed to determine the amount of credit extended within its assessment area. During this period, the Credit Union originated 24 consumer credit loans totaling approximately \$375,600. As indicated by the following, 67 percent of the number and 54.1 percent of the dollar amount of loans were originated within the assessment area. The Credit Union did not meet the asset size minimum requirement to report under the Home Mortgage Disclosure Act ("HMDA") for the time period covered by this evaluation.

## **PERFORMANCE CRITERIA (CONTINUED)**

### **Consumer Loans by Number of Originations**

Location	2004		2005		Year-to-date 2006		Total	
	#	%	#	%	#	%	#	%
Inside	7	80	5	85.7	4	57.1	16	67
Outside	3	20	2	14.3	3	42.9	8	33
Total	10	100	7	100	7	100	24	100

### **Consumer Loans by Dollar Amount of Origination**

Location	2004		2005		Year-to-date 2006		Total	
	\$ (000)	%	\$ (000)	%	\$ (000)	%	\$ (000)	%
Inside	80.0	55.0	83.0	56.6	40.2	48.2	203.2	54.1
Outside	65.5	45.0	63.7	43.4	43.2	51.8	172.4	45.9
Total	145.5	100	146.7	100	83.4	100	375.6	100

Performance levels based upon the distribution of originations inside the assessment area meet the standards for satisfactory performance.

### **3. BORROWER CHARACTERISTICS**

The Credit Union's consumer loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for the Essex County MSA for 2004, 2005 and year to date 2006. The income figures are based on estimated Department of Housing and Urban Development ("HUD") information. The estimated incomes in the Essex MSA for 2004, 2005 and 2006 are \$76,000, \$76,700 and \$78,200 respectively.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

## **PERFORMANCE CRITERIA (CONTINUED)**

The following table shows the number of consumer loans to borrowers of different income levels for the time period under evaluation.

**Distribution of Consumer Loans to Borrowers of Different Income Levels**

<b>Borrower Income Level</b>	<b>2004</b>		<b>2005</b>		<b>YTD 2006</b>		<b>Total</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<50%	1	12.5	0	0.0	2	66.7	3	18.8
50-79%	4	50.0	2	40.0	0	0.0	6	37.5
80-119%	3	37.5	1	20.0	0	0.0	4	25.0
120%>	0	0.0	1	20.0	0	0.0	1	6.2
N/A	0	0.0	1	20.0	1	33.3	2	12.5
Total	8	100.0	5	100.0	3	100.0	16	100.0

Source: Information contained in-house loan files.

Consumer loans originated from January 1, 2004 through October 31, 2006, were reviewed and revealed that 18.8 percent were granted to low-income members, 37.5 percent to moderate-income members 25 percent to middle-income members, and 6.2 percent were to upper-income members. It should be noted that the analysis of consumer loans indicates a higher percentage of loans to low and moderate-income members due to the fact that in most cases only one individual's income is used to make the credit decision. This income when compared to the median family income can result in somewhat higher levels within the low and moderate-income categories, and will skew the data.

Based on the information above, the Credit Union's lending to borrowers of different income levels including those of low and moderate-income meets the standards for satisfactory performance.

#### **4. DISTRIBUTION OF LOANS BY CENSUS TRACT INCOME LEVEL**

Generally, an analysis of loans extended to borrowers from the various census tracts within the Credit Union's assessment area is conducted. However, because the Credit Union did not originate any mortgage reportable loans, the compiling and reporting of census tract information on applications is not required. Census tract information on consumer loans is not required to be collected or reported. Therefore, no analysis of geographic distribution of loans was performed and no conclusion as to the performance level of the institution under this criterion was reached.

#### **5. REVIEW OF COMPLAINTS/ FAIR LENDING POLICIES AND PRACTICES**

Haverhill Credit Union has not received any complaints related to its CRA performance since the previous examination. However, the Credit Union has procedures in place should any consumer complaints related to CRA be received.

## **PERFORMANCE CRITERIA (CONTINUED)**

### **Fair Lending Policies and Practices**

Haverhill Credit Union's fair lending information was reviewed to determine how it conforms to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy.

The Credit Union's small size and limited resources limit its ability to meet the requirements of the Division's fair lending policy. The Credit Union's staff training is adequate. However, outreach, marketing, credit products and underwriting standards are directly affected by resources and limited product offerings. The institution has developed a second review process in which all loans considered for denial are referred to the Credit Committee by the loan officer prior to issuing a written notice of denial. Based on the foregoing information, the Credit Union meets the standards for satisfactory performance in this category.

### **Minority Application Flow**

There were no home mortgage loan applications taken by the institution for the time period covered by this evaluation. Therefore, no government monitoring information was collected or reported. Government monitoring information is not collected on consumer loan applications therefore no analyses on minority application flow was performed.

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address of Main Office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.